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REVIEWS AND NEW BOOKS

General Works, Theory and Its History

The Flow of Value. By LOGAN GRANT McPHERSON. (New York: The Century Company. 1919. Pp. xvi, 473.)

In *The Flow of Value* Mr. McPherson has attempted "to set forth in general and in broad outlines the sequence of cause and effect in the determination of prices." His vehicle is a textbook which, although an independent treatise, is "in a way" a companion volume to his *How the World Makes its Living*. His immediate object is to throw light upon the important questions "concerning the determination of wages, of prices, and the acquisition and tenure of property." His more ulterior purpose is to illuminate the larger problems of "changes in the institutions and practices of the past" which are necessary to enable the community "to coördinate" its efforts "for the common good." Or, more briefly, he considers "the flow of value" (or is it the system of prices?) in its relation to "economic reconstruction."

To this end Mr. McPherson points out the nature of human effort and human want, shows how utilities come into existence, how these give values to the articles embodying them, and how these values are articulated into a comprehensive system of prices. In a community which he hypothetically builds up he traces the "flow of value" from the most finished of consumers' goods to the most primary elements of production. Since his society is a developing one he introduces machinery and traces the results of this technical change upon the system of prices. He notes particularly the functions which wages and profits perform in the economic order. His regard for the relevancy of values leads him to a consideration of the nature of money and its rôle in price determination. Finally, after a summary of his subject-matter from another angle, he concludes with a discussion of "sound minds in sound bodies," which is the human end which he would have the industrial system serve.

The method followed by the author has all the traditions of neo-classical theory back of it. Our schools of law have long bent their efforts upon teaching students to think legally. So our teachers of theory have made thinking economically their principal object. In seeking to extract the whole truth from a few simple premises and in keeping his reader away from the wilderness of modern economic fact Mr. McPherson follows them. Like them he builds up his argument by deduction; like them he arrives at statements that approximate actuality by adding his complicating factors one at a time; and like them the truths he garners represent tendencies rather than actual conditions. Like them he aims to substitute simplicity of statement for be-

wildering variety, and is led to reduce the miscellaneous assortment of goods, services, and wants, which are the materials of the market problem, to "units of force" and "units of wants." In terms of "man-hours" and "man-units" baffling appraisals are reduced to manageable problems. The student who masters his pages will be sadly put to it to escape thinking economically.

In method, in detail, and in conclusion the volume will provoke approval and criticism from many economic camps. The classicists will approve of his hypothetical method, but will look askance at an argument which introduces "dynamic" factors into the value problem. The statisticians will approve the emphasis upon price and quantitative measurement, but will see in his reduction of his terms to simple units an encroachment upon their vested interests. The welfare economists will approve the human ends which he would make industry serve, but will quarrel with him over assumptions, as, for example, his hypothesis of a living wage as a condition essential to the utilization of labor. Even the protestants, who will see no good in so unreal a method, will welcome the wider basis in assumption which underlie his value theory. But such criticisms are inevitable. So long as we will differ about the very nature of our subject, no book can give us what all of us would like to have.

The essential thing is that the author has come through these traditional and hypothetical exercises without losing his head. He is not won over to the belief that ours is a natural and automatic order, that the system of prices is a perfect regulator of production and consumption, and that under the guidance of market values we get out of our resources all they have to give. On the contrary he realizes that however prices may be made, in competitive markets, by the few who control large industries, or by official "price-fixers," human judgments lie at their bases, and that the real problem is to make them as intelligent, as enlightened, and as little prone to error as possible. He sees a possibility for a much better coördination of economic processes than that furnished by the current system of prices. In fact "an administrative and executive board constituted of men of proved integrity, of large experience, and broad grasp, can obtain the widest information from time to time as to the probable demands for the products . . . and therefore can make the provisions which will more closely approximate the demand." Again, "an administrative board, composed of representatives of boards administering each great division of industry and commerce, could maintain that relativity between the production of substances of different kinds, their transformation, and the proportions in which final utilities would be produced . . . that would result in a minimum of overproduction or of underproduction."

In this conception of the instrumental character of the system of prices Mr. McPherson's greatest service lies. There was a time when economists were lost in delight at their discovery of how adequately changing prices adjusted demand and supply, and through them production and consumption, to each other. They failed to see in the constant use of such a mechanism with the wide fluctuations in prices which it entailed evidence of great imperfections in the coördination of economic processes. Mr. McPherson is right in regarding this question of organization as the great problem of "reconstruction." He is to be thanked for restating the problem in terms of the human judgments which make prices and of the factors of industrial organization which condition them. And, most important of all, he is to be congratulated upon coming to so clear an appreciation of his problem through a traditional exercise in value theory.

WALTON H. HAMILTON.

Amherst College.

Some Aspects of the Inequality of Incomes in Modern Communities.

By HUGH DALTON. (New York: E. P. Dutton & Co. 1920. Pp. 360.)

The book begins with a painstaking discussion of the views of prominent economists with regard to the distribution of incomes among families and especially of the effect of inheritance in producing inequality. This summary of the ideas of others is followed by an analysis from the author's own standpoint of the various forces which tend to give rise to inequality in income and of all possible devices which may be utilized to make incomes more equal.

Professor Dalton considers that very little argument is necessary to show that the present distribution of income is too unequal. However, he concludes that absolute equality would be absurd and leans toward a policy of distributing income somewhat more in proportion to the needs therefor than is accomplished by the present system. He everywhere recognizes, however, the fact that society cannot afford to sacrifice production in order to improve distribution. The problem, as he sees it, is how to lessen inequality in incomes without materially reducing the output of industry.

A few seeming inaccuracies and oversights in the book are out of harmony with the general carefulness of the work. On page 51, for example, he quotes Marshall approvingly as saying that Ricardo "was inclined to envisage mankind as wholly composed of city men," and then immediately discusses Ricardo's propositions concerning agriculture! The statement is made on page 281 that the custom of allowing the living to inherit the property of the dead "is a very curious fact," but